GUNSTER

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May 24, 2022

BY E-FILING

Mr. Adam Teitzman, Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: **Docket No. 20220067-GU: Petition for rate increase by Florida Public Utilities Company, Florida Division of Chesapeake Utilities Corporation, Florida Public Utilities Company - Fort Meade, and Florida Public Utilities Company - Indiantown Division.**

Dear Mr. Teitzman:

Attached, for electronic filing, please find the Testimony and Exhibits NTR-1 and NTR-2 of Noah Russell.

Thank you for your assistance with this filing. As always, please don't hesitate to let me know if you have any questions whatsoever.

(Document 16 of 27)

Sincerely,

Beth Keating
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

Docket No. 20220067-GU: Petition for rate increase by Florida Public Utilities Company, Florida Division of Chesapeake Utilities Corporation, Florida Public Utilities Company - Fort Meade, and Florida Public Utilities Company - Indiantown Division.

DIRECT TESTIMONY AND EXHIBITS OF NOAH RUSSELL

Date of Filing: May 24, 2022

Q. Please state your name, occupation and business address.

A. My name is Noah T. Russell. My business address is 100 Commerce Drive, Suite 200, Newark, DE 19713.

Q. By whom are you employed and in what capacity?

A. I am employed by Chesapeake Utilities Corporation as the Assistant Vice President and Assistant Treasurer.

Q. Please describe your educational background and professional experience.

A. In 2002, I received a Bachelor of Science in Accounting from University of Delaware in Newark, Delaware and am a licensed Certified Public Accountant in Pennsylvania. I have been in my current position as Assistant Vice President and Assistant Treasurer of Chesapeake Utilities Corporation since September 2021. Prior to joining Chesapeake Utilities Corporation, I held the role of Assistant Treasurer at Sunoco Logistics Partners LP, which was a subsidiary of Energy Transfer. Sunoco Logistics Partners LP owned and operated midstream assets that served to transport crude oil, refined products and natural gas liquids and had certain assets that were regulated by the FERC and the respective state public service commission where the assets were located. In my role at Sunoco Logistics, I managed a 6-person team responsible for long-range planning, cash management and governmental reporting. Under my leadership, we consummated over $7 billion of capital market transactions to fund a significant growth capital program. With my support and guidance, the governmental reporting team prepared and filed all FERC Form 6 and 6Q's for Sunoco Logistics.

Q. Please describe your current responsibilities.

A. In my role I am responsible, under the leadership and guidance of Chesapeake Utilities Corporation's Chief Financial Officer, for leading the company's treasury strategy, including enterprise treasury operations, corporate finance and banking relationships, accessing capital and managing the corporate capital structure, investment management activities, insurance/risk management oversight, credit management, as well as providing merger and acquisition diligence and integration support.

Q. How will you refer to the Company?

A. I will refer to the various Florida business entities under the Chesapeake Utilities Corporation umbrella. When referring to the Florida LDC business units as a whole; i.e., Florida Public Utilities Company (Natural Gas Division), Florida Public Utilities Company-Fort Meade, Florida Public Utilities Company-Indiantown Division, and the Florida Division of Chesapeake Utilities Corporation d/b/a Central Florida Gas, I will refer to these entities jointly as "FPUC" or "the Company".

When referring to Chesapeake Utilities Corporation, the parent company, I will refer to it as the "CUC" or the "Corporation."

Q. Have you filed testimony before the Florida Public Service Commission in prior cases?

A. No.

Q. Have you previously provided testimony before other regulatory bodies?

A. No. I have not previously provided testimony before other regulatory bodies.

Q. What is the purpose of your testimony in this proceeding?

A. My testimony will discuss CUC's current capital structure allocation, the various components (short-term debt, long-term debt and equity) and how FPUC has benefited from the structure. I will also be providing testimony on CUC's mitigation of risk through our Insurance Programs. Next, I will discuss changes in CUC's cost of capital and finally, I will provide some detail on the Company's pension expense.

Q. Do you have any exhibits to which you will refer in your testimony?

A. Yes. Exhibit No. NTR-1 which includes various schedules in support of my testimony.

Q. Are you sponsoring any MFRs in this case?

A. Yes. Attached, as Exhibit NTR-2, is a list of MFR's that I am sponsoring.

I. Capital Structure and Financing

Q. What is the Corporation's target capital structure and the components of that structure?

A. CUC's target capital structure is 50%-60% equity as a percentage of total capitalization (including short-term debt). This target capital structure has been approved by the Board of Directors. Over time, we strive to approximate the midpoint of 55% equity to total capitalization. Earnings retained and reinvested in the business partially help the Corporation fund our growth capital construction program. Any capital spend that is in excess of earnings retained is initially funded with short-term debt. As projects come online, we issue additional long-term debt and equity to stay within the target capital range and accordingly, reduce our short-term debt balances.

Q. What is CUC's long-term debt profile?

A. CUC's long-term debt carries the NAIC-2B rating from the National Association of Insurance Commissioners ("NAIC"). The NAIC, through its Securities Valuation Office, has its own credit rating scale that runs from NAIC-1 (lowest risk) to NAIC-6 (highest risk, near or at default). All securities in insurers' portfolios use these designations and their related factors to assess solvency capital requirements. According to the NAIC, NAIC-2B is assigned to high quality obligations with low credit risk. The NAIC-2B rating is equivalent to a BBB/Baa2 investment grade bond rating or above from S&P and Moody's. Page 1 of Schedule 1 shows the correlation between the NAIC, Moody's and S&P ratings hierarchies.

Q. How has the short-term debt financing cost for CUC positively benefitted FPUC since the acquisition?

A. The short-term debt rate for CUC compares favorably to the cost of capital previously available to FPUC on a standalone basis. CUC has a syndicated facility for short-term borrowing, with seven participating banks. CUC may from time to time, as a result of its relationships and access to capital, add additional lines of credit or term loans to meet short-term financing needs. CUC currently maintains a multi-tranche short-term borrowing facility with total capacity of $400,000,000. The two tranches of the facility consist of a $200,000,000 364-day short-term debt tranche and a $200,000,000 five-year tranche, both of which have three (3) one-year extension options. Each tranche of the facility also contains a $100,000,000 accordion provision which gives CUC the ability to increase the size of the facility to $600,000,000. As of December 31, 2021, the pricing under the 364-day tranche of the Revolver does not include an unused commitment fee and maintains an interest rate of 0.70 percent over LIBOR. As of December 31, 2021, the pricing under the five-year tranche of the Revolver included an unused commitment fee of 0.09 percent and an interest rate of 0.95 percent over LIBOR. This pricing is very competitive pricing in the market and comparable to pricing available to many of the publicly traded gas utilities that also have investment grade debt. At the time of the acquisition, FPUC had one committed line of credit for $26 million with pricing based on prime rates. Since the acquisition by CUC, FPUC has seen lower short-term borrowing rates due to the favorable pricing and structure of CUC's short-term debt facilities. These lower short-term rates have translated into approximately $1.4 million cumulative short-term interest savings since the 2009 acquisition.

Q. What is the current and forecasted capital structure of the Corporation?

A. The components of the current capital structure reflect investor sources and uses of capital as follows: common equity; excluding accumulated other comprehensive income, of 49.76 percent, long-term debt (including current maturities) of 35.97 percent and short-term debt of 14.27 percent. The forecasted capital structure at the end of the test year is as follows: common equity; excluding accumulated other comprehensive income, of 56.24 percent, long-term debt (including current maturities) of 37.88 percent and short-term debt of 5.88 percent. As I mentioned earlier in my testimony, over time we strive to approximate 55% equity to capitalization, which is the midpoint of the Board approved range.

Q. Why does the Corporation believe this structure is appropriate?

A. Using a mix of earnings retained in the business, 50-60 percent equity and 40-50 percent debt allows CUC to retain significant access to competitively priced capital to fund future growth projects. Approximately 55 percent of earnings are retained and reinvested in the business. Any growth capital spending above and beyond these amounts are initially funded with our $400 million syndicated revolving credit facility. When projects go into service, we seek to align the permanent financing (long-term debt and equity) with the introduction of service for these projects. This allows us to better align earnings from projects and long-term financing costs. Using this approach, we have continued to see cost effective, competitive pricing across the short-term borrowing facility, long-term debt placements and equity capital markets. This structure also keeps us in compliance under the covenants contained in the revolving credit facility and with all of the private placement senior notes.

Q. **Have FPUC and their customers benefitted from an enhanced ability to attract capital for utility projects at better rates?**

A. Prior to the acquisition, FPUC's existing credit profile, its significant amounts of secured financing, and its inability to access capital markets at attractive rates, impaired its ability to obtain the necessary capital to grow and replace aging infrastructure. As shown on Page 1 of Schedule 2 FPUC had ~$50 million of long-term debt outstanding at a weighted average cost of 7.40% prior to the acquisition. By comparison, CUC had a higher long-term debt rating with access to long-term financing on an unsecured basis with investment grade interest rates (150 to 200 basis points above comparable maturity U.S. treasury rates). Since the acquisition, CUC has effectively managed its balance sheet, issuing $606 million in long-term unsecured debt at an average rate of 3.52 percent. The twelve CUC issuances shown on Page 1 of Schedule 2 have been consummated at attractive rates on an unsecured basis with much less stringent covenants. Since the acquisition, CUC successfully refinanced all of FPUC's Secured First Mortgage Bonds with CUC unsecured senior notes and reduced the overall cost of debt and extended the maturities to finance long-term growth and infrastructure projects. Due to CUC's access to lower cost long-term debt, FPUC has saved approximately $7.6 million in long-term interest expense.

Prior to the acquisition, FPUC's stock price traded in a range of $8.00 to $14.50 from 2006-2008, which can be seen on Schedule 3, with a market capitalization of ~ $75 million.

As seen on Schedule 4 since December 31, 2008, CUC's stock price has increased by approximately 595 percent and now trades between $130-$140 per share. During the same time frame CUC's market capitalization has increased by approximately $2.0 billion. CUC has generated consistent earnings since the FPUC acquisition, which has enabled the Corporation to strategically and competitively access the equity capital market for new issuances from time to time as needed for capital projects.

Q. Has this produced benefits for FPUC's Customers?

A. Yes. FPUC and its customers have benefited from the enhanced ability to attract capital for utility projects at better rates. FPUC has benefited as a wholly-owned subsidiary of CUC to attract debt capital at lower rates and longer terms given CUC's investment grade credit rating (NAIC-2B). In addition, CUC Utilities' short-term revolver facility provides cost effective, competitive financing. Short-term debt capacity has benefited FPUC by providing capital availability for large gas distribution and transmission expansion projects and gas distribution replacement and infrastructure projects (GRIP) over the years during construction before obtaining permanent long-term financing for projects once fully in-service. Since the acquisition, CUC has successfully funded approximately $390 million of FPUC growth projects.

II. Insurance and Risk Mitigation

Q. What resources at CUC are dedicated to insurance?

A. Within the Treasury organization, CUC has one full-time resource dedicated to our insurance programs, which is in addition to the time I spend on this function. Under my guidance and oversight in this area, the Insurance Manager is responsible for preparing all underwriting applications, securing and administering the corporate insurance programs for all divisions and subsidiaries of CUC, engaging with our Broker's team and our carriers, evaluating any potential new types of coverage, maintaining insurance compliance and overseeing claims management. As mentioned above, the Corporation also utilizes an Insurance Broker, who augments our internal capabilities.

Q. What types of insurance coverage does the Corporation carry?

A. The types of insurance carried by CUC can be broken down into three major buckets: casualty, executive risk and property. The casualty program includes workers compensation, commercial general liability and our excess liability coverage. Workers compensation insurance provides wage replacement and medical benefits to employees injured in the course and scope of their employment. Commercial general liability provides coverage to third parties for bodily injury and property damage caused by the business' operations/products. Excess liability coverage encompasses liability coverage in excess of CUC's underlying general liability policies.

CUC's executive risk policies include directors' and officers' liability, crime, employment practices liability, fiduciary and cyber coverages. The Corporation's directors' and officers' policy is standard liability insurance payable to our directors and officers, or to the Corporation itself, as indemnification (reimbursement) for losses or advancement of defense costs in the event an insured suffers such a loss as a result of a legal action brought for alleged wrongful acts in their capacity as directors and officers. The crime coverage addresses loss of money securities and other assets resulting from dishonesty, theft or fraud. Wrongful acts arising from the employment process are covered by the Corporation's employment practices liability policy. Fiduciary coverage protects employee benefit plan fiduciaries against claims, including, but not limited to, a breach of fiduciary duties, negligent administration, careless plan management, poor investment decisions, and improper use of retirement funds. Finally, CUC's cyber coverage protects/indemnifies the Corporation from data breaches and other cyber security issues.

CUC's properties are insured through a broad form property insurance policy. The policy provides expansive coverage for the direct physical loss or damage to the Corporation's properties. In addition to coverage for physical losses, the policy extends coverage for the loss of business income that results from an insured loss.

CUC has also established a self-insurance reserve, with oversight provided by myself and our CFO, to absorb expenses associated with losses incurred from our natural gas operations. Expenses applied to this reserve are those that are not reimbursable by the Corporation's insurance carriers. These expenses may be charges within the deductible level of the applicable policy, charges exceeding the policy limits or charges lying outside of policy coverage (i.e., self-insurance for any physical damage that occurs to our vehicle fleet). Current deductibles on the policies discussed above, which can be applied to the self-insurance reserve, range from $100,000 to $500,000 per occurrence.

Q. How has insurance coverage changed since the last rate case?

A. Since 2009, casualty market rates for U.S. utilities have risen dramatically, while capacity has reduced. Numerous carriers have left the U.S. Power & Utility marketplace. Others have reduced the capacity that they will provide to U.S. Power & Utility insureds. Those who remained in the marketplace have reduced total limits offered and restricted coverages in their offerings, while raising rates in the process.

Q. How does the Corporation ensure that it secures the right amount of coverage at the best cost?

A. With the help of our Insurance Broker, CUC assesses the Corporation's current risks, insurance needs and costs in determining the appropriate level of insurance coverage. The Audit Committee of CUC's Board of Directors reviews the Corporation's insurance coverage, the current insurance environment and related information to ensure it has secured the appropriate level of coverage, given our risk profile and the feedback from our enterprise risk management process, at a reasonable cost. Through the use of internal and external parties (our Brokers, the insurance carriers and the Audit Committee), we have been able to effectively and efficiently manage CUC's insurance programs.

Q. Does CUC take additional steps to ensure that it has the right coverage from the right carriers?

A. Yes. CUC also implements various other strategies to ensure we retain the right amount of coverage at advantageous pricing. The Corporation engages directly with carriers to ensure they know us and understand our business. When possible, CUC also tries to lock in premiums (in terms of rate per dollar of coverage) for longer than one year. We have occasionally been able to do this and most recently were able to do lock in the primary casualty insurance rates for the 2021/2022 and 2022/2023 insurance periods. The Corporation's Insurance Broker frequently goes out to the market and seeks bids from new carriers. The Insurance Broker also provides CUC with peer benchmarking information to help with the assessment around proper levels and types of coverage.

From time to time, the Corporation performs a Request for Proposal ("RFP") for the broker services. During the months leading up to the 2021 casualty insurance program renewal, the Corporation approached various brokers in an attempt to re-configure its casualty insurance program and lower the cost of insurance. Through the RFP process, we identified and changed to a new broker which saved the Corporation approximately $1 million in premiums and locked in the rates (again in terms of the rate per dollar of coverage) for two years.

Q. Has CUC experienced recent insurance cost increases?

A. Yes. Even with the strategies CUC has in place, the Corporation is not immune to increases in insurance premiums. Changes in the premiums are driven by increased exposure due to the continued growth of the Corporation and overall market conditions in the power and utility sector. Over the last five years, CUC has experienced cost increases across all areas of coverage.

Excluding excess liability coverage, primary casualty insurance has experienced a 10 percent increase in premiums over the last 5 years. Throughout the market, there has been a reduction in the number of carriers, driven by industry consolidation. Most recently, our premiums have been positively impacted by the redesign of our liability insurance structure, discussed earlier in my testimony, which reduced premiums by approximately $1 million in 2021. In 2019, excess liability coverage for the power and utility space was impacted by increased industry claims activity and several high-profile claims (i.e. PG&E, Columbia Gas, etc.) which resulted in significant rate increases. This is the primary driver behind the approximate 390% increase in CUC's excess liability premium over the last 5 years. Like the casualty space, there are few key players providing coverage currently, as a result of continued consolidation and several parties declining to offer utility coverage.

Excluding cyber insurance, the Corporation's executive risk policies have also experienced tightening insurance markets with carriers pushing more risk sharing towards clients by requiring higher retention levels and premiums. Due to these factors, we have seen the Corporation's deductible double and the executive risk policy premiums, excluding cyber, increase by approximately 45% over the last five years. The cyber increase in premiums over the same time period has been driven by two factors. In 2018, CUC increased the cyber coverage from $5 million to $10 million which directly contributed to increased premiums. Secondly, cyber overage continues to see increases as overall claims frequency and severity remains high driven by ransomware. Losses have accelerated pricing pressure even on loss free accounts, like the Corporation, with good controls. In discussions with CUC's Insurance Broker, cyber premiums are projected to increase by 75 percent to 100 percent each year for the next few renewals.

For property insurance, existing markets are also not expanding and there are limited new carriers entering this market. Correspondingly, CUC's property insurance premiums have increased on average by 20 percent per year over the past five renewals.

Q. Does the Corporation anticipate insurance will continue to rise?

A. Yes. The Corporation is anticipating its total insurance premiums will continue to rise in the foreseeable future. At a minimum, CUC plans to carry the same levels of insurance coverage for the Corporation's casualty, executive risk and property programs. The Corporation is continuously reviewing our policies, deductibles and limits to make sure we are efficiently and effectively mitigating the risk for CUC and all of its subsidiaries. Going into the 2022 renewals, the Corporation will be evaluating increases to our coverage limits for the directors' and officers' liability, excess liability, cyber liability and property liability. Any increases to these limits would drive increased premiums in future years for CUC. Based on market conditions, continued growth of the Corporation and potential increases to limits, CUC believes total insurance premiums will increase by 20 percent – 30 percent per year, although as discussed above, the rate increases have the potential to be even higher. As it did when the Corporation added cyber insurance within the last five years, the Corporation also continues to evaluate other new potential areas of coverage to further mitigate risk.

Q. Please explain lines 14 and 15 on Schedule D-2 page 1 of 2.

A. Shortly after the FPUC acquisition, CUC re-financed FPUC's long-term debt at more competitive rates and on an unsecured basis. This refinanced debt was issued in the form of CUC unsecured senior notes. The difference in interest rates, or make-whole premium to prepay the FPUC debt early, was treated as part of the acquisition adjustment and established as a regulatory asset that would be amortized over 30 years. The 13-month average balance shown on Line 14 of Schedule D-2 Page 1 of 2 represents the remaining, unamortized portion ending December 31, 2021.

As also addressed in the Testimony of Witness Paul Moul, CUC has entered into Shelf Agreements with Prudential and MetLife, whom are under no obligation to purchase any unsecured debt. These Shelf Agreements allow the Corporation to efficiently issue private placement debt at competitive pricing. In order to put these Shelf Agreements in place, the Corporation incurred administrative and legal fees.

These fees are amortized over a 15-year period. Line 15 of Schedule D-2 Page 1 of 2 represent the amounts deferred for the Shelf Agreements on average (over the last 13 months) as of December 31, 2021.

III. Cost of Capital

Q. What is the primary driver behind the reduction in the Corporation's cost of capital since the last rate case?

A. The primary driver behind CUC's cost of capital reduction is the long-term debt cost rate. As shown below, prior to the announcement and consummation of the FPUC acquisition in 2009, at December 31, 2008, FPUC's weighted average cost of long-term debt was 7.40%.

FPU Debt 12/31/2008
(in thousands)

	Balance	Rate
9.57% due 2018	$ 8,182	9.57%
10.03% due 2018	4,500	10.03%
9.08% due 2022	8,000	9.08%
4.90 % due 2031	13,900	4.90%
6.85% due 2031	14,975	6.85%
	$ 49,557	**7.40%**

Additionally, all of this debt represented **secured** debt, issued in the form of first mortgage bonds. At December 31, 2008, CUC's weighted average cost of long-term debt was 6.33%, comprised solely of **unsecured** senior notes.

CPK Debt 12/31/2008 (in thousands)		
	Balance	Rate
6.91% due 2010	$ 1,818	6.91%
6.85% due 2012	3,000	6.85%
7.83% due 2015	12,000	7.83%
6.64% due 2017	24,545	6.64%
5.50% due 2020	20,000	5.50%
5.93% due 2023	30,000	5.93%
	$ 91,363	**6.33%**

The combined weighted average cost of long-term debt was 6.69% at December 31, 2009. Since the acquisition, CUC has issued $606 million of unsecured senior notes at a weighted average cost of 3.52%.

Chesapeake Issuances since the Merger (in thousands)		
	Original Issuance	Rate
5.68% due 2026	$ 29,000	5.68%
6.43% due 2028	7,000	6.43%
3.73% due 2028	40,000	3.73%
3.88% due 2029	50,000	3.88%
3.25% due 2032	70,000	3.25%
3.48% due 2038	50,000	3.48%
3.58% due 2038	50,000	3.58%
3.98% due 2039	100,000	3.98%
2.98% due 2034	70,000	2.98%
3.00% due 2035	50,000	3.00%
2.96% due 2035	40,000	2.96%
2.49% due 2037	50,000	2.49%
	$ 606,000	**3.52%**

A portion of these proceeds were used to repay FPUC’s secured first mortgage bonds early and refinance at more favorable interest rates on an unsecured basis. The new issuances along with the early redemption and refinancing of FPUC's debt have resulted in a reduction in the Corporation's cost of capital, which has resulted in cumulative interest savings of approximately $9.0 million since the 2009 acquisition.

Q. How much of the reduction in the weighted average cost of long-term debt rates is related to changes in market conditions versus the Corporation's execution?

A. Since 2008, the 10-year treasury yield has decreased by 2.21%. Accordingly, as shown below, approximately 65% of the long-term debt cost rate reduction experienced since the last rate case is due to the change in treasury yields. The remaining 35% reduction, or approximately 1.27% of the decline in the weighted average long-term debt cost, can be attributed to the Corporation's execution and access to more competitively priced capital. The Corporation has been successful at attracting and financing its capital expenditure program partially through new unsecured long-term debt at pricing in-line with or above the Corporation's NAIC-2B rating.

FPUC's Cost of Long-term Debt in Last Rate Case	6.96%
Less: Change in 10/30 yr. Treasury yields	-2.21%
Less: Improvement in Long-term Debt Interest Rates because of CUC's Execution	-1.27%
FPUC's Cost-of Debt in Current Rate Case (2023 Test Year)	3.48%

Q. Are there other examples of how CUC has reduced the cost of capital for FPUC and provided access to more competitively priced capital?

A. Yes. As of December 31, 2008, FPUC had access to a short-term line of credit in the amount of $26 million. This represented 26.4 percent of permanent capitalization of $98.4 million as of that date. For CUC, as of December 31, 2008, the Corporation had access to five lines of credit totaling $100 million. This short-term debt capacity represented 46.2 percent of permanent capitalization of $216.4 million as of that date. Additionally, the Corporation's short-term debt interest cost for 2008 and 2007 was 2.79 percent and 5.46 percent, respectively as compared to FPUC's short-term debt interest cost for 2008 and 2007 of 3.5 percent and 6.1 percent, respectively.

Q. Does CUC continue to have access to competitively priced capital?

A. We maintain an effective shelf registration statement with the SEC for the issuance of shares of common stock in various types of equity offerings, including shares of common stock under CUC's At-the-Market equity program, as well as an effective registration statement with respect to the Dividend Reinvestment and Direct Stock Purchase Plan.

CUC has also entered into Shelf Agreements with Prudential and MetLife, two of our current debt holders, whom are under no obligation to purchase any unsecured debt. Under these Shelf Agreements, in the aggregate, these parties have indicated an interest in issuing unsecured senior notes totaling $250 million. These Shelf Agreements expire in mid-2023.

Finally, in August 2021, we entered into a multi-tranche revolving credit facility totaling $400.0 million with multiple participating lenders. The two tranches of the facility consist of one $200.00 million, 364-day short-term debt tranche and a $200.00 million five-year tranche, both of which have three one-year extension options and an accordion feature of $100 million on each facility (totaling $200 million) which can be authorized by the Chief Financial Officer.

The 364-day tranche of the facility expires in August 2022, and the five-year tranche expires in August 2026. Both tranches are available to provide funds for CUC's consolidated short-term cash needs to meet seasonal working capital requirements and to temporarily fund portions of capital expenditures. Borrowings under both tranches of the revolving credit facility are subject to a pricing grid, including the commitment fee and the interest rate charged. The revolving credit facility pricing is adjusted each quarter based upon total indebtedness to total capitalization ratio. As of March 31, 2022, the pricing under the 364-day tranche of the Revolver does not include an unused commitment fee and maintains an interest rate of 0.70 percent over LIBOR. As of March 31, 2022, the pricing under the five-year tranche of the Revolver included an unused commitment fee of 0.09 percent and an interest rate of 0.95 percent over LIBOR.

IV. Pension Expense

Q. How was the projected pension expense derived?

A. The Corporation engaged the Prudential actuary to run projected scenarios of pension expense over the next ten years. Over this period of time, assuming an inclining discount rate and a return on plan assets of 4 percent (based upon the current market environment and future projections), the actuary estimated that the FPUC pension plan expense will range from a credit of $42,900 to an expense of $47,450, or an average expense of $7,500. The Corporation conservatively projected a credit of $42,900 in the rate case for the 2023 test year.

Q. Could you please summarize your testimony?

A. CUC has a strong balance sheet which has enabled it to access competitively priced capital to finance its capital expenditures. The Corporation has cultivated an environment focused on continued earnings growth, management efficiency, and financial discipline to provide reliable and safe energy delivery services to new and existing customers in its service territories.

Through consultation with internal and external experts, peer benchmarking and ongoing risk assessments and monitoring, CUC has implemented the appropriate processes in place to ensure the Corporation is carrying the pertinent and necessary levels of insurance coverage. The Corporation will continue to evaluate new lines of coverage and changes to existing lines of coverage to determine the best ways to mitigate risk as both the utility marketplace and the insurance markets continue to evolve.

Q. Does this conclude your testimony?

A. Yes, this concludes my testimony.

Florida Public Utilities Company

Exhibits
To Accompany
The Direct Testimony
Of

Noah T. Russell

Florida Public Utilities Company
Index of Schedules

			Credit Rating Providers (Pursuant to the terms of of Section 4 of Part One and as specifically noted in Part Three, Section One, (vi) List of NAIC CRPs.)								
NAIC Designation	NAIC Designation Modifier	NAIC Designation Category	Moody's Investor's Service	Standard and Poor's	Fitch Ratings	Dominion Bond Rating Service	A.M. Best Company	Morningstar Credit Ratings, LLC	Kroll Bond Rating Agency	Egan Jones Rating Company	HR Ratings de Mexico, S.A. de C.V.
1	A	1.A	Aaa	AAA	AAApre, AAA	AAA, Pfd-1 (high)	aaa	AAA	AAA	AAA	HR AAA (G)
1	B	1.B	Aa1	AA+	AA+	AA (high), Pfd-1	aa+	AA+	AA+	AA+	HR AA+ (G)
1	C	1.C	Aa2	AA	AA	AA, Pfd-1 (low)	aa	AA	AA	AA	HR AA (G)
1	D	1.D	Aa3	AA-	AA-	AA (low), Pfd-1	aa-	AA-	AA-	AA-	HR AA- (G)
1	E	1.E	A1	A+	A+	A (high)	a+	A+	A+	A+	HR A+ (G)
1	F	1.F	A2	A	A	A	a	A	A	A	HR A (G)
1	G	1.G	A3	A-	A-	A (low)	a-	A-	A-	A-	HR A- (G)
2	A	2.A	Baa1	BBB+	BBB+	BBB (high), Pfd-2 (high)	bbb+	BBB+	BBB+	BBB+	HR BBB+ (G)
2	B	2.B	Baa2	BBB	BBB	BBB, Pfd-2	bbb+	BBB	BBB	BBB	HR BBB (G)
2	C	2.C	Baa3	BBB-	BBB-	BBB (low), Pfd-2 (low)	bbb-	BBB-	BBB-	BBB-	HR BBB- (G)
3	A	3.A	Ba1	BB+	BB+	BB (high), Pfd-3 (high)	bb+	BB+	BB+	BB+	HR BB+ (G)
3	B	3.B	Ba2	BB	BB	BB, Pfd-3	bb	BB	BB	BB	HR BB (G)
3	C	3.C	Ba3	BB-	BB-	BB (low), Pfd-3 (low)	bb-	BB-	BB-	BB-	HR BB- (G)
4	A	4.A	B1	B+	B+	B (high), Pfd-4 (high)	b+	B+	B+	B+	HR B+ (G)
4	B	4.B	B2	B	B	B, Pfd-4	b	B	B	B	HR B (G)
4	C	4.C	B3	B-	B-	B (low), Pfd-4 (low)	b-	B-	B-	B-	HR B- (G)
5	A	5.A	Caa1	CCC+	CCC+	CCC (high), Pfd-5 (high)	ccc+	CCC+	CCC+	CCC+	HR C+ (G)
5	B	5.B	Caa2	CCC	CCC	CCC, Pfd-5	ccc	CCC	CCC	CCC	HR C (G)
5	C	5.C	Caa3	CCC-	CCC-	CCC (low), Pfd-5 (low)	ccc-	CCC-	CCC-	CCC-	HR C- (G)
6		6	Ca	CC	CC	CC (high)	cc	CC	CC	CC	HR D (G)
6		6	C	C	C	CC	c	C	C	C	
6		6		D	DDD	CC (low)	d	D	D	D	
6		6			DD	C (high)					
6		6			D	C					
6		6				C (low)					
6		6				D					

Source: https://naic.org/documents/cmte_e_vos_master_naic_designation_and_category_grid.pdf

FPU Debt 12/31/2008[1]

(in thousands)

	Balance	Weighted Average Cost
9.57% due 2018	$ 8,182	
10.03% due 2018	4,500	
9.08% due 2022	8,000	
4.90 % due 2031	13,900	
6.85% due 2031	14,975	
	$ 49,557	7.40%

Chesapeake Issuances since the Merger[2] as of 12/31/2021

(in thousands)

	Original Issuance	Weighted Average Cost
5.68% due 2026	$ 29,000	
6.43% due 2028	7,000	
3.73% due 2028	40,000	
3.88% due 2029	50,000	
3.25% due 2032	70,000	
3.48% due 2038	50,000	
3.58% due 2038	50,000	
3.98% due 2039	100,000	
2.98% due 2034	70,000	
3.00% due 2035	50,000	
2.96% due 2035	40,000	
2.49% due 2037	50,000	
	$ 606,000	3.52%

(1) See Schedule 2 Page 2 of 4
(2) See Schedule 2 Page 3 of 4 and Page 4 of 4 to determine new debt issuances by Chesapeake since the merger

CONSOLIDATED STATEMENTS OF CAPITALIZATION

(Dollars in thousands except per share amounts)

	December 31, 2008	2007
Common Shareholders' Equity		
Common stock, $1.50 par value, authorized 10,000,000 shares; issued 6,199,070 shares in 2008; issued 6,182,983 shares in 2007	$ 9,299	$ 9,275
Paid-in capital	6,065	6,076
Retained earnings	36,424	35,797
Accumulated other comprehensive income/(loss), retirement plan adjustment, net of income tax of $936 in 2008 and $53 in 2007	(1,551)	88
Treasury stock - at cost (97,350 shares in 2008, 129,223 shares in 2007)	(1,725)	(2,290)
Total common shareholders' equity	48,512	48,946
Preferred Stock		
4 ¾% Series A, $100 par value, redemption price $106, authorized and outstanding 6,000 shares	600	600
4 ¾% Series B Cumulative Preferred, $100 par value, redemption price $101, authorized 5,000 and none issued	-	-
$1.12 Convertible Preference, $20 par value, redemption price $22, authorized 32,500 and none issued	-	-
Total preferred stock	600	600
Long-Term Debt		
First mortgage bonds series		
9.57 % due 2018	8,182	9,091
10.03 % due 2018	4,500	5,000
9.08 % due 2022	8,000	8,000
4.90 % due 2031	13,900	14,000
6.85 % due 2031	14,975	14,990
Unamortized debt discount	(1,637)	(1,718)
Total long-term debt	47,920	49,363
Total Capitalization	$ 97,032	$ 98,909

See Notes to Consolidated Financial Statements

Source: Florida Public Utilities Company 2008 10-K

Our outstanding long-term debt is as shown below.

(in thousands)	December 31, 2009	December 31, 2008
Secured first mortgage bonds:		
9.57% bond, due May 1, 2018	$ 8,156	$ —
10.03% bond, due May 1, 2018	4,486	—
9.08% bond, due June 1, 2022	7,950	—
6.85% bond, due October 1, 2031	14,012	—
4.90% bond, due November 1, 2031	13,222	—
Uncollateralized senior notes:		
6.91% note, due October 1, 2010	909	1,818
6.85% note, due January 1, 2012	2,000	3,000
7.83% note, due January 1, 2015	10,000	12,000
6.64% note, due October 31, 2017	21,818	24,545
5.50% note, due October 12, 2020	20,000	20,000
5.93% note, due October 31, 2023	30,000	30,000
Convertible debentures:		
8.25% due March 1, 2014	1,520	1,655
Promissory note	40	60
Total long-term debt	134,113	93,078
Less: current maturities	(35,299)	(6,656)
Total long-term debt, net of current maturities	$ 98,814	$ 86,422

Source: Chesapeake Utilities Corporation 2009 10-K

13. Long-term Debt

Our outstanding long-term debt is shown below:

(in thousands)	As of December 31, 2021	2020
Uncollateralized Senior Notes:		
5.93% note, due October 31, 2023	$ **6,000**	$ 9,000
5.68% note, due June 30, 2026	**14,500**	17,400
6.43% note, due May 2, 2028	**4,900**	5,600
3.73% note, due December 16, 2028	**14,000**	16,000
3.88% note, due May 15, 2029	**40,000**	45,000
3.25% note, due April 30, 2032	**70,000**	70,000
3.48% note, due May 31, 2038	**50,000**	50,000
3.58% note, due November 30, 2038	**50,000**	50,000
3.98% note, due August 20, 2039	**100,000**	100,000
2.98% note, due December 20, 2034	**70,000**	70,000
3.00% note, due July 15, 2035	**50,000**	50,000
2.96% note, due August 15, 2035	**40,000**	40,000
2.49% notes Due January 25, 2037	**50,000**	—
Equipment security note		
2.46% note, due September 24, 2031	**9,378**	—
Less: debt issuance costs	**(913)**	(901)
Total long-term debt	**567,865**	522,099
Less: current maturities	**(17,962)**	(13,600)
Total long-term debt, net of current maturities	$ **549,903**	$ 508,499

Source: Chesapeake Utilities Corporation 2021 10-K

	2008			2007		
	Stock Prices		Dividends	Stock Prices		Dividends
Quarter ended	Low	High	Declared	Low	High	Declared
March 31	$10.75	$12.35	$0.1125	$11.90	$13.50	$0.1075
June 30	10.34	12.25	0.1175	11.01	12.91	0.1125
September 30	11.40	13.12	0.1175	11.15	12.49	0.1125
December 31	8.00	13.09	0.1175	11.24	12.83	0.1125

	2007			2006		
	Stock Prices		Dividends	Stock Prices		Dividends
Quarter ended	Low	High	Declared	Low	High	Declared
March 31	$11.90	$13.50	$0.1075	$13.25	$14.50	$0.1033
June 30	11.01	12.91	0.1125	11.86	14.40	0.1075
September 30	11.15	12.49	0.1125	12.61	14.42	0.1075
December 31	11.24	12.83	0.1125	13.10	14.05	0.1075

Source: Florida Public Utilities Company 2008 and 2007 10-K

Chesapeake Utilities Corporation Stock Price

Date	Open	High	Low	Close	Adj Close	Volume
12/31/2008	20.71	20.99	20.39	20.99	15.04	67,360.00
12/31/2009	21.39	21.43	21.31	21.37	15.99	70,050.00
12/31/2010	27.73	27.99	27.68	27.68	21.53	34,800.00
12/30/2011	29.50	29.51	28.90	28.90	23.26	65,100.00
12/31/2012	29.67	30.42	29.33	30.27	25.16	31,350.00
12/31/2013	40.04	40.47	39.89	40.01	34.24	29,700.00
12/31/2014	51.00	51.53	49.62	49.66	43.53	37,400.00
12/31/2015	60.05	60.15	55.25	56.75	50.88	252,200.00
12/30/2016	67.35	67.70	66.45	66.95	61.20	78,500.00
12/29/2017	79.05	79.45	78.30	78.55	73.04	48,400.00
12/31/2018	79.67	81.43	78.81	81.30	76.96	90,600.00
12/31/2019	94.84	95.83	94.84	95.83	92.26	100,000.00
12/31/2020	106.40	108.64	106.40	108.21	106.24	73,700.00
12/31/2021	144.00	146.07	143.97	145.81	145.31	33,500.00

595% **Increase in share price**

Source: Yahoo Finance

SCHEDULE	TITLE	Witness
	RATE OF RETURN	
D-1	Cost of Capital - 13 Month Average	M. Napier / N. Russell
D-2	Long Term Debt	N. Russell
D-3	Short Term Debt	N. Russell
D-4	Preferred Stock	N. Russell
D-5	Common Stock Issues	N. Russell
D-8	Issuance of Securities	N. Russell
D-9	Subsidiary Investments	N. Russell
	PROJECTED TEST YEAR	
G2-19 a to d	Projected Test Year - Calculation of Operation and Main Expense Supplement	M. Cassel, J. Bennett, M. Galtman, V. Gadgil, M. Napier, K. Parmer, N. Russell, K. Lake, D. Rudloff, B. Hancock
G2-19f	Over and Under Adjustments	M. Cassel, J. Bennett, M. Galtman, V. Gadgil, M. Napier, K. Parmer, N. Russell, K. Lake, D. Rudloff, B. Hancock
G3-1	Historic Base Year + 1 - Cost of Capital	M. Cassel / N. Russell
G3-2	Projected Test Year - Cost of Capital	M. Cassel / N. Russell / P. Moul
G3-3	Projected Test Year - Long-Term Debt Outstanding	N. Russell
G3-4	Projected Tesr Year - Short-Term Debt Outstanding	N. Russell
G3-5	Projected Test Year - Preferred Stock	N. Russell
G3-6	Porjected Test Year - Common Stock Issues	N. Russell
G3-8	Financing Plans - Stock and Bond Issues	N. Russell